



California Student Aid Commission

Fact Sheet

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Fact sheet # 2004-06 Date: May 2004

Student Loan Operating Fund

Proposed Redirection of Funds from the Student Loan Operating Fund Governor's May Revise Budget Proposal, May 13, 2004

Background

The California Student Aid Commission is the primary state agency for the administration of state-authorized student financial aid programs and also functions as the State's officially designated state guarantee agency under the Federal Family Education Loan (FFEL) Program. In 1997, the Commission established a non-profit, public benefit auxiliary corporation for the purpose of providing operational and administrative services for the Commission's participation in the FFEL Program. That auxiliary corporation is EdFUND, which today processes more than \$4 billion a year in federal student loans under the FFEL Program and administers an outstanding loan portfolio worth more than \$21 billion. As of September 30, 2003, the Commission and EdFUND had achieved an operating surplus totaling \$267 million in the Student Loan Operating Fund. Revenues in the Student Loan Operating Fund must be used for FFEL Program administration or student financial aid-related services in accordance with the federal Higher Education Act, as deemed permissible by the Commission in its capacity as the designated guarantee agency.

The Governor's Proposed May Revise Budget Would:

1. Redirect \$134 million from the Student Loan Operating Fund on a one-time basis to cover a portion of the costs associated with the Cal Grant Program in 2004-05, and to cover costs for other State priorities.

Principles For Use(s) of Redirected Funds

1. Any redirection of funds from the Student Loan Operating Fund must be consistent with the provisions of the federal Higher Education Act.
2. Any redirection of funds from the Student Loan Operating Fund shall be for direct student benefits.
3. The Commission will pursue business diversification for the purpose of expanding its line of products and services beyond the Commission's participation in the FFEL Program. The Schwarzenegger Administration has expressed its support for maintaining the Commission as the state's guarantee agency, and is open to the Commission's organizational plans for strengthening the Commission's and EdFUND's position as a leader in the student loan guarantee industry.